

Message Text

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PAGE 01 STATE 003195
ORIGIN ARA-10

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FM SECSTATE WASHDC
TO AMEMBASSY KINGSTON PRIORITY

C O N F I D E N T I A L STATE 003195

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E.O. 11652: GDS

TAGS: EFIN, JM

SUBJECT: IMF NEGOTIATIONS, GOJ EXCHANGE CONTROLS, AND USG
REACTION

REF: KINGSTON 0078

1. IMF PROVIDED THE FOLLOWING INFORMATION ON ITS ATTITUDE TOWARD THE EXCHANGE CONTROLS ANNOUNCED YESTERDAY TO DEPUTY ASSISTANT SECRETARY GRUNWALD IN CONFIDENCE.
2. IMF OFFICIALS CONSIDER THE EXCHANGE REGIME A BREACH OF THE JAMAICAN COMMITMENT WHICH WAS NEGOTIATED FOR THE LAST TRANCHE OF THE COMPENSATORY FINANCING DRAWN IN DECEMBER. THEY STATE THAT THE PRESENT JAMAICAN ACTION COULD ALSO BE CONFIDENTIAL

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INTERPRETED AS RENEGING ON THEIR COMMITMENT WITH THE CANADIAN BANKS WHO JUMPED IN RECENTLY WITH BRIDGING FINANCE BASED ON THE IMF LETTER OF UNDERSTANDING.

3. IMF OFFICIALS INDICATE ONE OF TWO INTERPRETATIONS COULD BE ATTACHED TO THE JAMAICAN ACTION: EITHER THE JAMAICANS INSTITUTED THE NEW EXCHANGE REGIME TO GAIN TIME UNTIL THE

FIGHT INSIDE THE GOJ BETWEEN THE TECHNICAL AND POLITICAL PEOPLE CAN BE RESOLVED OR THE POLITICAL RADICALS WON OUT AND JAMAICA IS GOING THE ROUTE OF A CONTROLLED ECONOMY WHICH IMPLIES REJECTING THE IMF AND PRESUMABLY PRIVATE BANKS.

4. IMF FEELS THAT ONCE JAMAICA HAS GONE THE EXCHANGE CONTROLROUTE IT WILL BE POLITICALLY DIFFICULT FOR THEM TO REVERSE THEMSELVES COMPLETELY. THE IMF IS TAKING A LOW-PROFILE, WAIT-AND-SEE POSTURE AT THE MOMENT. IF THERE ARE NO SIGNIFICANT CHANGES IN THE SITUATION, THE NEGOTIATING MISSION SCHEDULED FOR THE SECOND HALF OF FEBRUARY WILL BE CALLED OFF.

5. IMF IS WATCHING GOVERNOR BROWN'S REACTION CAREFULLY BECAUSE HE IS FIRMLY COMMITTED TO THE IMF UNDERSTANDING. IF HE RESIGNS THIS WILL SIGNAL TO THEM A COMPLETE REJECTION OF THE IMF ROUTE.

6. WE WOULD WELCOME YOUR ANALYSIS OF THE CURRENT SITUATION WITH PARTICULAR EMPHASIS ON YOUR ESTIMATES OF THE DIRECTION LIKELY TO BE TAKEN IN ECONOMIC PLANNING AND APPROPRIATE USG RESPONSES. WE WOULD APPRECIATE YOUR COMMENTS ON THE ADVISABILITY OF A USG APPROACH TO THE GOJ TO EXPRESS OUR CONCERN AND CONSTRUCTIVE INTEREST, AS WELL AS THE IMPORTANCE WE ATTACH TO THE IMF PROGRAM.
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